

UAC INSURANCE MUTUAL

Board of Trustees Meeting

Thursday, October 3, 1996, 9:00 a.m.

UAC Offices

4021 South 700 East, Suite 180, Salt Lake City

A G E N D A

9:00	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of August 29 and September 13, 1996, Minutes	Gary Herbert
	1997 UACIM Budget and Administrative Budget	Board of Trustees
	Director's Report	Brett Rich
	Summary of Loss Prevention Activities	David Nelson
	Broker's Report	
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
2:00	Adjourn	

4021 South 700 East, Suite 180
Salt Lake City, Utah 84107



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UAC INSURANCE MUTUAL MINUTES, BOARD OF TRUSTEES MEETING

October 3, 1996, 9:00 a.m.
UAC Offices, Salt Lake City, Utah

Board Members Present:

Gary Herbert, *President*, Utah County Commissioner
Gerald Hess, *Vice President*, Davis County Deputy Attorney
Robert Gardner, *Secretary*, Iron County Commissioner
Curtis Dastrup, Duchesne County Commissioner
Ty Lewis, San Juan County Commissioner
Sarah Ann Skanchy, Cache County Council Member

Board Members Absent:

Ken Brown, Rich County Commissioner
Sid Groll, *Comptroller*, Cache County Sheriff
Gary Sullivan, Beaver County Commissioner

Others Present:

Kent Sundberg, Utah County Deputy Attorney
Brett Rich, Director, UACIM
David Nelson, UACIM Loss Prevention Manager
Sonya White, UACIM Administrative Assistant
Doug Alexander, Aon Claims Manager
Rich Stokluska, AJGCo. Account Executive
John Chino, AJGCo. Account Executive

CALL TO ORDER

Gary Herbert called the meeting to order and welcomed those in attendance.

REVIEW OF BOARD MEMBERS ABSENT

Gary Sullivan requested to be excused from this meeting due to his county's scheduled Board of Equalization. Sid Groll requested to be excused from this meeting due to a presentation he is making at a Government Board meeting. Ken Brown previously indicated that he would attend this meeting but would have to leave early for Senior Citizens Legislative Day at the Capitol. Sarah Ann Skanchy made a motion to excuse Gary and Sid from this meeting and request an explanation from Ken as to why he was unable to attend. Robert Gardner seconded the motion and the motion passed unanimously.

APPROVAL OF AUGUST 29 AND SEPTEMBER 13, 1996, MINUTES

The minutes from the August 29 and September 13, 1996, Board of Trustees meetings were previously sent to the Board Members for review. Gerald Hess made a motion to approve the minutes as written. Curtis Dastrup seconded the motion and the motion passed unanimously.

1997 UACIM BUDGET AND ADMINISTRATIVE BUDGET

1997 UACIM Budget Brett Rich reviewed the tentative budget with the Board (as presented at the September 13, 1996, Board meeting). The *Premium* and *Surplus* amounts are the same as last year. The total revenue is \$2,871,000. The attachment point of the excess policy is used for *Losses*—\$1,475,000. The *Claims Management Expenses* are budgeted at \$210,000 and the *Excess Insurance* is budgeted at \$458,635. *Total Loss Expenses* are \$2,143,635. *Brokerage Commission* for Gallaghers is \$105,000, *Pool Administration* is \$260,000 (same as last two years), *Professional Fees* are budgeted at \$55,000 which includes accounting, auditing, actuarial and legal. *Interest Expense* is budgeted at \$56,000 which is the amount UACIM owes for the interest on the debenture loans. *Other Expenses* consist primarily of the Directors and Officers Insurance Policy. *Total Administration Expenses* are \$492,000 equaling a total *Net Income* of \$235,365. Brett noted that the Board may want to decide whether they want to include boiler and machinery coverage, increase the excess liability amount and/or increase earthquake and flood coverage, if so, these decisions may affect the budget. Also, a notice of withdrawal was received from Davis County (see Director's Report). Last year the adopted budget had a *Net Income* of (\$104,074) due to the withdrawal of Tooele County without any reallocation of premiums.

Brett Rich explained that Gallaghers has given UACIM a bid of \$20,000 for boiler and machinery coverage, \$48,000 to increase the excess liability limit to \$2 million and \$40,000 to increase earthquake and flood coverage to \$20 million. After discussion, Gerald Hess made a motion to include boiler and machinery coverage to all member counties without an increase in premium and present the options of additional excess liability and additional earthquake and flood coverage to the members at the annual meeting. Sarah Ann Skanchy seconded the motion and the motion passed unanimously.

With this addition to the Excess Insurance amount and the approved amount of \$208,000 for claims administration, Curtis Dastrup made a motion to approve the 1997 UACIM budget. Robert Gardner seconded the motion and the motion passed unanimously.

Administrative Budget Brent Gardner was not available to review the UACIM Administrative Budget with the Board, therefore, Ty Lewis made a motion that each year the proposed Administrative Budget should show budget to actual for the previous two years listing total expenditures. Gerald Hess seconded the motion and the motion passed unanimously. The Board requested that Brent present the Administrative Budget at the next meeting.

DIRECTOR'S REPORT

Notice of Withdrawal For the policy year 1997, pursuant to Article 12.1 of the UACIM Bylaws, a 90-day notice to withdraw has been received from Beaver and Davis Counties. Brett Rich explained that Beaver County's letter was sent without resolution from the Governing Body and will be rescinded at their upcoming Commission meeting. Gerald Hess explained that because of the 90-day requirement, Davis County sent the letter of withdrawal while they, and their hired independent consultant, continue to review information pertaining to the county's insurance needs. From the letter, Gerald read: *We are generally pleased with the overall operation of the Insurance Mutual and the service we have received from its agents and employees. However, each year it is our responsibility to review Davis County's insurance needs and to determine whether it is in the best interest of the county to continue with the pool or pursue other options available to the County. We are in the process of evaluating our needs and the direction we intend to go. However, because Section 12.1 requires action 90 days before the period of renewal, we believe it appropriate to give notice of our withdrawal from the Insurance Pool so as to be in compliance with the formal notice of withdrawal provisions. It is our intent to complete our annual insurance needs review in a timely way with the distinct possibility of canceling this notice of withdrawal and continuing Davis County's coverage through the Insurance Mutual.* Brett has been working with the Davis County Commission and has supplied the consultant with all the available information requested. Davis County is comparing UACIM to self-insurance. Brett explained that premium contribution notifications can not be sent until UACIM has a decision from Davis County. If Davis County withdraws then the premiums must either be reallocated to the other member counties or absorbed in the Net Income. Ty Lewis made a motion for a letter to be drafted to the Davis County Commission requesting their decision no later than October 16, 1996, at 5:00 p.m. Robert Gardner seconded the motion and the motion passed unanimously.

The Board was concerned that the 90-day notice requirement may need to be revised so that UACIM will be able to send out premium notifications in October to allow time for counties to budget. Brett recommended that this process be discussed with the membership at the upcoming annual meeting. If amendments to Article 12.1 of the UACIM Bylaws are needed then the amendments can be voted on at the April Membership Meeting.

Amendments to Bylaws Brett Rich explained that the recommended amendments to the UACIM Bylaws are almost complete. They will be faxed to the Board Members requesting any comments or concerns be addressed prior to 5:00 p.m. on October 10th. The recommendations will be sent to the membership pursuant to Article 10.1(d) of the Bylaws, allowing 30-day advance notice of a vote to amend.

Excess v. Reinsurance Brett Rich recommended that the Board decide whether they want to continue with an excess policy form or write a reinsurance policy form. The Insurance Department had suggested that UACIM consider reinsurance, which is easier for the Department to evaluate and less expensive. UACIM needs to have more than a certificate of participation, it needs to have a policy.

John Chino explained that he is working with a pool that has just changed from excess to reinsurance and the reason for the change was that they were able to negotiate terms and conditions that they did not have in their current policy. This pool started in 1980 and can afford to "take a few risks". The excess insurance policy is safer and compared to reinsurance is not necessarily less expensive.

Brett Rich explained that with a reinsurance program, if the carrier goes bankrupt, UACIM would be obligated to its members—with an excess carrier, UACIM would not be obligated to its members. With a re-insurer, the attachment point may be higher. Brett also explained that when he meets with the Insurance Department, he wants to be able to present a fully funded and risk free program for exempt status from surplus.

Following discussion, Sarah Ann Skanchy made a motion that UACIM will continue with an excess policy form. Robert Gardner seconded the motion and the motion carried.

Inverse Condemnation Coverage Brett Rich explained that Inverse Condemnation is a claim for damages where the government has taken or damaged property for public use without compensation to the owner. The Board adopted a joint policy statement, on November 11, 1992, covering 50% of defense costs up to \$50,000 for an inverse condemnation claim couched as a civil rights taking. When this policy statement was given to the excess carrier, their policy language came out differently than what the Board had intended. Rich Stokluska and John Chino recommended that the Board consider not covering inverse condemnation in its entirety because UACIM does not have enough money to provide coverage for these types of claims. Rich and John agreed that the sublimits put forth in the adopted policy statement can easily be categorized under the excess policy. Therefore, the Board agreed that the intent of the Inverse Condemnation Joint Policy Statement remain the same but that the language be revised to read clearly. Brett will revise the policy statement for review by the Board at the next meeting.

Rich Stokluska explained that the other issues that UACIM had trouble negotiating with AIG was the pollution coverage and the sexual molestation coverage. Great Americans excess pollution endorsement still excludes pollution but doesn't consider pesticide or herbicide as an exposure or any type of pollutant. Also, coverage for the county/commission/department head if an employee is charged with sexual molestation is covered under the named insured endorsement.

CLAIMS ADMINISTRATION

Brett explained to the Board that incorrect information was given to him regarding the salary structure of Doug Alexander and Sue Benton. Curt Hamby of McLaren Toplis (MT) has been negotiating with Doug and has indicated that he (Curt) on behalf of MT will be unable to provide the quality of service at the amount proposed by MT due to the incorrect information received.

Gerald Hess made a motion to set the date and time for closed meeting to begin at 10:20 a.m. on October 3, 1996, to discuss the character, professional competence, or physical or mental health of an individual. Robert Gardner seconded the motion and the motion passed unanimously.

Ty Lewis made a motion to conclude the closed meeting. Curtis Dastrup seconded the motion and the motion passed unanimously.

Ty Lewis made a motion that if McLaren Toplis will match the Crawford & Company proposal for claims administration at \$206,813, the Board will honor the award of the Brokerage contract. Curtis Dastrup seconded the motion and the motion was up for discussion. After discussion Ty withdrew his motion.

Robert Gardner made a motion to increase the McLaren Toplis award for claims administration to \$208,000. Curtis Dastrup seconded the motion and the motion carried. Sarah Ann Skanchy abstained.

SUMMARY OF LOSS PREVENTION ACTIVITIES

David Nelson reviewed his written report with the Board. He has conducted risk reviews in Piute, Wayne, Millard, Juab, Utah, Duchesne and Uintah Counties. Piute and Wayne Counties have yet to respond to a risk review since the inception of UACIM. Kent Sundberg expressed his concern with recommendation 96-8 pursuant to Wayne County's risk review which states: *The county should formally adopt the new Utah Jail Standards in total or in an adapted form.* Kent explained that the Jail Standards are to be used only as a reference to create and adopt a county's own jail standards.

David reviewed the Premium Credit Analysis form he has put together to determine the eligible credit a county may receive under the Risk Management Program. David explained that he will be analyzing the counties in his second risk review for this year.

David explained that training was tentatively scheduled for September 27 in the area of personnel discipline and wrongful termination but has yet to find a presenter. Once a presenter is found, the training will be broadcast by the extension satellite system. Sarah Ann Skanchy suggested that David contact the League of Cities and Towns who may have some suggestions for presenters. Brett Rich is trying to contact Mary Ann Wood as a possible presenter.

UACIM and the Statewide Association of Prosecutors will be presenting training involving the GRAMA Act, on November 14, 1996.

UACIM has purchased sexual harassment training videos for the member counties use. The Loss Prevention Department is trying to develop its training library.

PENDING OR REASONABLY IMMINENT LITIGATION

Ty Lewis made a motion to set the date and time for closed meeting to begin at 1:30 p.m. on October 3, 1996, to discuss pending or reasonably imminent litigation. Robert Gardner seconded the motion and the motion passed unanimously.

Ty Lewis made a motion to conclude the closed meeting. Robert Gardner seconded the motion and the motion passed unanimously.

Sarah Ann Skanchy made a motion authorizing settlement authority up to an amount of \$40,000 on claim number 801DAV927005. Curtis Dastrup seconded the motion and the motion passed unanimously.

Sarah Ann Skanchy made a motion authorizing denial of coverage on claim number 801GAR965001. Robert Gardner seconded the motion and the motion passed unanimously.

OTHER BUSINESS

The next meeting of the Board of Trustees will be held October 24, 1996, at 9:00 in the UAC offices.

1997 BUDGET

REVENUE

Premiums written	2,277,000
Unearned premiums	0
Premiums earned	2,277,000

Investment Income 118,000

Surplus Contributions 476,000

TOTAL REVENUE 2,871,000

LOSSES AND LOSS EXPENSES

Losses 1,475,000

Claims management expenses 210,000

Excess Insurance 458,635

TOTAL LOSS EXPENSES 2,143,635

ADMINISTRATION EXPENSES

Brokerage commissions 105,000

Pool administration 260,000

Professional fees 55,000

Interest expense 56,000

Other expenses 16,000

TOTAL ADMINISTRATION 492,000

TOTAL LOSSES AND EXPENSES 2,635,635

NET INCOME \$ 235,365

LOSS PREVENTION REPORT

By: David L. Nelson, Loss Prevention Manager

Utah Association of Counties Insurance Mutual
Board of Directors Meeting, October 3, 1996

RISK REVIEWS:

Piute County

The second 1996 risk review for the county was completed on August 8, 1996. The risk review report and recommendations were submitted to the county commission for evaluation and compliance.

Wayne County

The second 1996 risk review for the county was completed on August 9, 1996. The risk review report and recommendations were submitted to the county commission for evaluation and compliance.

Millard County

The second 1996 risk review for the county was completed on August 15, 1996. The risk review report and recommendations were submitted to the county commission for evaluation and compliance.

Juab County

The second 1996 risk review for the county was completed on August 21, 1996. The risk review report and recommendations were submitted to the county commission for evaluation and compliance.

Utah County

The second 1996 risk review for the county was completed on August 27, 1996. The risk review report and recommendations were submitted to the county commission for evaluation and compliance.

Duchesne County

The second 1996 risk review for the county was completed on September 13, 1996. The risk review report and recommendations were submitted to the county commission for evaluation and compliance.

Uintah County

The second 1996 risk review for the county was completed on September 17, 1996. The risk review report and recommendations were submitted to the county commission for evaluation and compliance.

TRAINING:

MEETINGS:

On August 16, 1996, the personnel loss prevention committee met. Plans were discussed for the scheduled September 27th statewide training. That training will deal with personnel discipline and wrongful termination issues. Use of the USU Extension satellite system will be checked out for this training.

On September 5, 1996, I met with Mr. Doyt Bolling who is director of the Technical Transfer Center at USU. We discussed the feasibility of using the USU Extension satellite system for statewide training of our member counties.

On September 20, 1996, I attended the annual Utah Safety Council membership meeting.

CONSULTING:

OTHER:

AFFIDAVIT OF GARY R. HERBERT

STATE OF UTAH

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:ss

COUNTY OF SALT LAKE

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Gary R. Herbert, being duly sworn upon oath, deposes and says:

1. That the affiant has personal knowledge of the matters hereinafter referred to in this Affidavit.

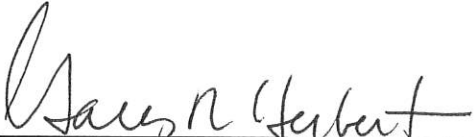
2. That the Affiant, on or about the 3rd day of October, 1996, presided over a meeting of the Utah Association of Counties Insurance Mutual Board of Trustees, an open and public meeting within the provisions of Chapter 4, Title 52, Utah Code Annotated, 1953, as amended.

3. That a quorum of the Utah Association of Counties Insurance Mutual Board of Trustees was present and at least two-thirds of the members present, voted to close the meeting pursuant to the provisions of Section 52-4-4, Utah Code Annotated, 1953, as amended, for the purpose of discussing the character, professional competence, or physical or mental health of an individual.

4. That the affiant was present throughout the meeting and, pursuant to the provisions of Section 52-4-7.5, the affiant does hereby affirm that the sole purpose for closing the meeting was to discuss the character, professional competence, or physical or mental health of an individual or individuals.

FURTHER, Affiant saith not.

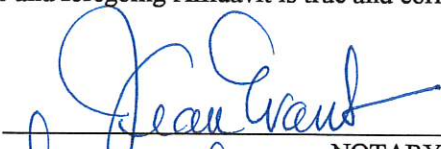
DATED this 12th day of March, 1998.


GARY R. HERBERT, President
Utah Association of Counties Insurance Mutual

On the 12th day of March, 1998, personally appeared before me Gary R. Herbert, who, after being by me duly sworn, deposed and said that the information contained in the above and foregoing Affidavit is true and correct.

Residing at:

My Commission Expires:


NOTARY PUBLIC
Salt Lake City, UT
1-31-2002

